



County of San Diego

COUNTY OF SAN DIEGO
BOARD OF SUPERVISORS

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COUNTY CLERK

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June 18, 2004

TO: Board of Supervisors

FROM: Walter F. Ekard
Chief Administrative Officer

CHANGE LETTER SUPPLEMENT

The legislature and the governor of the State of California appear to be close to an agreement on the State's budget for fiscal year 2004-05 that will capture many of the elements of the governor's May Revise including his proposal related to local government funding. Governor Schwarzenegger's May Revise proposes a local government financing initiative for the November ballot that will, in the long run, protect local government revenues, make permanent the 0.65 percent vehicle license fee rate, and ensure a balance between state mandated costs and funding to pay for those mandates. In the short run, over the next two years, \$2.6 billion of local government revenues would be shifted (\$1.3 billion each year) to schools to help the State deal with repairing its structural fiscal imbalances. The current proposal is an improvement over the Governor's January budget proposal, which shifted \$1.3 billion to schools on a permanent basis and had a bigger impact on counties.

The Chief Administrative Officer's Proposed Operational Plan for fiscal years 2004-05 and 2005-06 was based on the Governor's January budget proposal and as such, it reflected a loss of \$55.3 million in property taxes. With the Governor's May Revise proposal, that loss would drop to approximately \$27.5 million and give the County the ability to add back \$27.8 million in general purpose revenues to the Operational Plan. The Chief Administrative Officer's Change Letter does not include any Operational Plan revisions based on these potential additional revenues because of the uncertainty of the outcome of State level budget negotiations. In the event, however, that the State adopts a budget that restores these general purpose revenues by the time of your Board's budget deliberations, I am submitting the following list of items for your Board to consider incorporating into the County's adopted Operational Plan. Approval of certain of these items would result in the restoration of some of the positions proposed for deletion in the Proposed Operational Plan and the rescinding of layoff notices to a corresponding number of employees. While these changes would have a positive effect on services to County residents, we must recognize that there are still structural issues with the State budget that may well affect the County's budget in the coming year and beyond

regardless of agreements that are reached this year. For that reason, we must maintain adequate reserves and preserve the discipline of funding ongoing services with ongoing resources. In that regard, we must proceed cautiously to ensure that we don't make a bad situation worse by having resource expectations that don't materialize.

Proposed additions to the CAO's Proposed Fiscal Year 2004-05 budget:

- Probation Department: \$3,500,000 and 55 staff years (55 positions) to retain 100 juvenile beds (ongoing)
- Public Defender: \$1,600,000 and 12 staff years (12 positions) for indigent defense (ongoing)
- Alternate Public Defender: \$900,000 and 6 staff years (6 positions) for indigent defense (ongoing)
- Parks and Recreation: \$300,000 and one staff year (one position) for ballfield maintenance (ongoing)
- County Library: \$500,000 general fund contribution and 9.75 staff years (11 positions) to continue Sunday hours (ongoing)
- Land Use and Environment Group (various departments): \$5,000,000 to replenish reserves used for the Fire Safety and Fuels Reduction program (one time)
- Contingency Reserve: \$4,600,000 for potential unemployment expenses and State budget uncertainties (ongoing)

This list does not include items referred to budget such as the Regional Communications System upgrade or any change letters submitted by members of the Board.

In addition to the potential partial property tax restoration, there is continued discussion in Sacramento regarding the restoration of certain categorical revenues. While we do not anticipate such restoration of revenues, should they occur, we will make necessary and appropriate adjustments in a timely fashion.

Respectfully,


WALTER F. EKARD
Chief Administrative Officer